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**The Hybridization of National Collective Bargaining Systems: The Impact of the  
Economic Crisis on the Transformation of Collective Bargaining in the European  
Union**

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# **The Hybridization of National Collective Bargaining Systems: The Impact of the Economic Crisis on the Transformation of Collective Bargaining in the European Union**

## **Abstract**

In this article it is argued that the economic crisis has made national collective bargaining systems increasingly multi-layered, perforated, and dynamically unstable, i.e. hybrid. We explain these transformations in terms of the concomitance of two different sources of change which do not necessarily follow the same logics. The first source stems from national systems' endogenous logic of path dependency and the second from pressure to reform in accordance with exogenously given strategies and logics. It is argued that these sources act like a whipsaw, pushing and pulling national collective bargaining systems between the two logics, leading to hybrid collective bargaining systems.

## **Keywords**

Collective bargaining systems, economic crisis, European Union, institutional reform, policy making

## **Introduction**

Since the advent of the global economic crisis in Europe in 2008, employment relations *per se* and the processes and institutional structures of collective bargaining, i.e. collective bargaining systems, in particular have become increasingly contested (e.g. Blanchard *et al.*, 2014; Marginson, 2015a; Meardi, 2014; Visser, 2016). In fact, collective bargaining became one of the most important arenas for policy makers in Europe since the labour market had to bear the costs of economic recovery and therefore collective bargaining systems were often seen as the key facilitator or obstacle for labour market adjustment (European Commission, 2015a; IMF, 2015a; Marginson, 2015a). Even though policies regarding labour market adjustment included a variety of dimensions and aspects such as vocational training (e.g. Heyes, 2013), employment regulation and protection (e.g. Heyes and Lewis, 2014), pensions, flexible employment arrangements, privatization of companies (e.g. Larsen and Navrbjerg, 2013; Roche *et al.*, 2015; Svalund, 2015), the underlying principle was that labour (cost-) productivity should be increased in order to reduce unemployment. This would be achieved primarily by moderating wages but also by making the labour market more flexible, i.e. by weakening working conditions and employment regulations, if needed. Against this background, national collective bargaining systems became contested on their ability to enforce this rationale and strategy (Eurofound, 2014a).

Since economic recovery in the European Union (EU) was lagging behind expectations and in some countries the labour market did not recover at all after the 2008 “shock”, international and national policy makers motivated national social partners, i.e. employers’ organisations and trade unions, to revamp traditional national collective bargaining institutions and processes (e.g. Angrave *et al.*, 2017) and/or enforced reforms of national collective bargaining systems. Such exogenous enforced reforms were most pervasive and severe in countries which made bilateral agreements (i.e. memoranda of understandings) with creditor institutions such as the European Commission (EC), the European Central Bank (ECB), and the International Monetary Fund (IMF), i.e. the so called *Troika*. However, exogenous pressure upon national social partners to reform collective bargaining systems also increased in all EU member states because of the *Europe 2020 strategy* and *EU’s new economic governance system* which also perceived collective bargaining systems as key for labour market adjustments (Schulten and Müller, 2013, 2014).

In fact, this pressure has led to a continuum of larger and smaller reforms of one or more dimensions of national collective bargaining systems in many member states of the EU (e.g. Eurofound, 2014b; Eurofound, 2016; European Commission, 2015b; Marginson, 2015a, 2017). Against this background, in this article we argue that these exogenously driven reforms of national collective bargaining systems have rarely fully replaced old institutional structures or completely superseded old social partners’

activities. Instead we will explain that these changes led to the increased formation of collective bargaining units at different layers, or *subsystems* of collective bargaining with different actors at different layers. For example, in countries in which bargaining traditionally took place at higher level, the reforms had the effect that company level bargaining often took place in addition to, but not in expense of, the traditional bargaining level. This means that national collective bargaining systems became increasingly *multi-layered* with different bargaining units and actors, i.e. subsystems, at different levels. We will further argue that we find it reasonable to assume that different subsystems with different actors, i.e. social partners, which are involved in collective bargaining, do not necessarily follow the same logic and direction of change and adoption because they might be embedded in a different economic context (e.g. different sectors) and have different interests and preferences. We also argue that many reforms increased the opportunities for lower level bargaining units, i.e. companies, to opt out (or in) of collective agreements. Thus these reforms increasingly created “loopholes” in traditional national collective bargaining systems which are characterized by a predominant, homogeneous and uniform, institutional structure of collective bargaining. These loopholes are causing traditional national collective bargaining systems to become increasingly heterogeneous and “*perforated*”. Furthermore we will argue that due to the fact that opt out clauses are often of a temporary nature, e.g. enable companies to opt out of a higher level agreement for a limited period of time, and because of the incremental

and constant introduction of various other reforms to collective bargaining institutions, national collective bargaining systems also became increasingly *dynamically unstable*.

Thus, this article aims to explain how and why national collective bargaining systems increasingly transformed into multi-layered, perforated, and dynamically unstable, i.e. hybrid, systems of collective bargaining. The article is organized as follows. Against the background that collective bargaining systems have always changed, the next section discusses the logics and dynamics behind endogenous transformations of bargaining systems. This is followed by a discussion of the exogenous pressure of reform which came with the advent of the global economic crisis. We then give an overview of the manifold and diverse reforms and changes which were observable in different collective bargaining dimensions throughout the EU member states in recent times. We then develop our theoretical hypothesis on the hybridization of national collective bargaining systems and confront them with empirical information provided by the rich Eurofound archive. The article finishes by summarizing the key arguments and results and addresses the implications for current and future attempts to reform collective bargaining systems in Europe.

### **Path dependency in the transformation of national collective bargaining systems**

Since the industrial revolution gave birth to collective bargaining when the first trade unions were formed, its processes and institutional structures have transformed substantially. In fact collective bargaining systems have always adapted and transformed along with the changing economic and market context (Brandl and Traxler, 2011; Crouch, 1993; Hyman, 2001; Marginson, 2015b) meaning that the national embeddedness of collective bargaining in specific national, economic and political systems and regimes became increasingly influential for shaping distinct national collective bargaining systems. As countries developed differing economic and political systems throughout the 20<sup>th</sup> century, so too did national collective bargaining systems change. In fact, collective bargaining systems proved to be quite adaptable and flexible and have transformed continuously and sometimes even dramatically since their birth in the wake of industrialization (Bechter and Brandl, 2015).

However, there are, of course, differences in the quality and in the quantity of transformations in the long history of collective bargaining across countries. As regards the quality of transformation, the vast majority of transformations of national collective bargaining systems are characterized by relatively minor changes in one or the other dimension of the institutional and organisational structure of collective bargaining. For example, if bargaining domains are split or merged or if the regulations for the extension of collective agreements (*erga omne* clauses) or opening clauses are slightly changed. Collective bargaining systems always and continuously underwent such transformations



which shows that these systems do usually have the ability to gradually adapt to various contemporary challenges and demands. These gradual changes are well documented particularly for the EU member states (e.g. European Commission, 2013, 2015a; Ferner and Hyman, 1992).

However, the history of collective bargaining also shows that at certain points in time, collective bargaining systems have undergone quite radical, incisive and fundamental transformations which then change abruptly the basic characteristics and nature of collective bargaining systems. Examples of rather severe and abrupt (i.e. non-gradual) changes are the transformations of employment relations in the early 1980s, for example, the dismantling of sectoral collective bargaining in the UK (e.g. Edwards et al., 1998) but also when sectoral collective bargaining became reorganized, i.e. coordinated in Austria, the Netherlands and Sweden, (e.g. Ahlén, 1989; Traxler et al., 2008; Visser and Hemerijck, 1997). However, there are also differences across countries in terms of how conflictual or smooth the transformations are. While endogenously induced transformations *tend* to be relatively smooth, exogenously imposed transformations often led to conflicts and unrest, as for example since the begin of the of the economic crisis in Greece and Portugal (Brandl and Ibsen, 2017).

In fact, there appears to be a general picture, that those transformations of collective bargaining which were exogenously imposed upon social partners, i.e. by actors who are not directly involved in collective bargaining for the relevant bargaining

unit (e.g. the government as a regulator or by any international organisation such as the Troika organizations), often led to conflict and frictions and encountered resistance from the actors involved (e.g. Sanz et al., 2016), while those transformations initiated by social partners themselves, enjoyed usually smooth transitions. In other words in the sense of North (1991) there appears to be a tendency that frictions will arise if the rules of the game, i.e. of collective bargaining for the relevant bargaining unit, are defined and changed exogenously by actors who are not taking part in collective bargaining. However, if the rules of the games are transformed endogenously from within, i.e. from actors who are directly involved in collective bargaining, frictions are diminished.

Yet independent of whether the transformation of the national collective bargaining system was conflictual or smooth, the trigger of the transformation was often an exogenous economic shock or a crisis. In fact many major transformations of collective bargaining systems occurred in (or after) times of crisis and economic turmoil. For example, before the current economic crisis, the inflationary (oil) shocks of the 1970s triggered a number of severe transformations of national collective bargaining systems although with differences in pace and shape across countries (Brandl and Traxler, 2011). Even though many past transformations were induced by exogenous shocks or crises, the sources of transformation of the bargaining systems came from within the national system of collective bargaining and followed the national logic of change. As we argue in this article, this process has changed dramatically since the global economic crisis arrived in

Europe in 2008 as exogenous sources of change to national systems of collective bargaining came into play.

### **Exogenous sources and pressure of reform**

The past decades have seen a number of cross-national trends in the transformation of national collective bargaining systems in Europe. While there was a trend towards increasing centralisation of national systems of collective bargaining in the 1960s and 1970s, this trend reversed from the 1980s onwards (e.g. Brandl and Traxler, 2011; Crouch, 1993; Flanagan, 1999). Even though the reasons for these changing trends in the transformation of national collective bargaining systems are in debate and range from the rise and fall, i.e. increase and decrease, of “financialization”, of “monetarism” or simply of neoliberal ideas and paradigms and shifting power relations (e.g. Baccaro and Howell, 2011; Brandl and Traxler, 2011; Crouch, 2011; Marginson, 2016; Streeck, 2009; Thelen, 2014) there is no doubt that these transformations followed a cross-national *Zeitgeist* which is more or less independent of country specific traditions (Brandl and Ibsen, 2017).

As outlined earlier, since the 1980s, there is a trend towards decentralisation in the transformation of national collective bargaining systems. However, in the majority of the EU member states, this *Zeitgeist* did *not* erode the core features of existing national collective bargaining systems. In fact, the key characteristics and dimensions of national

collective bargaining systems remained relatively stable in most countries until 2008 (Van Guys and Schulten, 2015).

However, this changed after the advent of the economic crisis in 2008 as the process of decentralisation of collective bargaining gained increased momentum and power with pushes and help from outside. External pressure was particularly visible from international organisations, which not only pushed governments to reform systems fundamentally, but also motivated direct governmental intervention into free collective bargaining between social partners (Molina, 2014).

This process of exogenously driven reform of collective bargaining systems was most pervasive in the Troika countries such as Cyprus, Greece, Ireland, Portugal, and Spain, i.e. in countries which received financial support from the Troika organisations. One requirement for financial support from the Troika was that countries must implement structural reforms, especially of the labour market and its institutions which included a transformation of national collective bargaining systems (Marginson, 2015a). For all countries, the Troika often used a blueprint of institutional reform, i.e. a “one size fits all” approach of institutional change, which followed the logic of decentralization of national collective bargaining systems (Van Guys and Schulten, 2015).

However, the Troika was not the only exogenous source which induced changes to national collective bargaining systems. The EU also put increasing pressure upon national collective bargaining systems since the EU introduced a comprehensive package

of measures to foster European economic governance and strengthen the coordination of economic, budgetary and employment policies across all EU member states (European Commission, 2013). The pressure of potentially having to reform national collective bargaining systems for all EU member states further increased in 2011 when the EU introduced the European semester as one pillar of the EU's new economic governance regime.

The idea behind the new economic governance regime is that any macro-economic imbalances within and between countries are identified and addressed in a timely manner by providing country specific recommendations (CSRs). Various EU Member States received CSRs to change their employment relations systems including reforms of collective bargaining processes and institutions. However, as with many other international organisations, the EU is only giving recommendations (Marginson, 2016) and thus it seems that the auxiliary actors of change are, in fact, national governments and occasionally even national social partners. Yet as non-compliance with the recommendations of the European Semester ultimately implies financial sanctions for national countries, and as the labour market and in particular wage developments and collective bargaining systems are seen as central policy areas (European Council, 2011), the pressure to reform collective bargaining systems is directly imposed on national actors from the EU (Schulten and Müller, 2014; Seikel, 2016; Van Guys and Schulten, 2015).

The rationale behind many CSRs is very similar to that of the Troika and followed the path of decentralization (European Commission, 2015b). The CSRs included for example the introduction of or wider scope for opportunities to derogate from sectoral or national collective agreements for companies, the limitation or even the abolition of the favourability principle, which guarantees that employees cannot be made worse off by another collective agreement, and the limitation and reduction in the scope for the extension of collective agreements to non-signatory companies. In any case, the new EU economic governance framework has already led to various significant changes in collective bargaining systems at the national level (Erne, 2015; Schulten and Müller, 2014; Van Gyes and Schulten, 2015).

Thus both the EU's new economic governance system and the memoranda of understandings of some countries with the Troika, has led to a number of transformations in one or the other dimension of national collective bargaining systems since 2008. Recently, these partially exogenously driven transformations have been questioned with respect to their effectiveness and "success" (Blanchard et al., 2014; IMF, 2015). In fact it has become increasingly clear after many years of reform that various attempts and efforts did not fully materialize in making national collective bargaining systems (completely) decentralised. Instead multi-layered, perforated, and dynamically unstable, i.e. hybrid, systems of collective bargaining became increasingly typical. In this paper we aim to

explain this puzzle of how and why this exogenously induced reform process led to the hybridisation of national systems of collective bargaining.

### **The economic crisis and changing collective bargaining systems in Europe**

The arrival of the economic crisis in 2008 caused a sharp decline in economic growth throughout the EU leading unemployment levels to hit unprecedented heights. With this economic situation in the background, the structure of the European labour market changed considerably. Skyrocketing youth unemployment rates in various countries (e.g. in Italy and Spain), shifts in the job structure among different occupational groups and sectors as well as an increase in precarious, atypical employment relationships and an increase of temporary employment (European Commission, 2015b; Eurostat, 2013; ETUI, 2014; Doerflinger and Pulignano, 2015; Molina, 2014) created a new economic and social environment. All this has changed the context of employment relations and put pressure on collective bargaining systems to “deliver” on what national and international policy makers asked.

This impact on member states’ economies has been uneven however so that the collective bargaining systems of different EU member states have faced varying levels of economic and social challenges (European Commission, 2015b). With these changes in the economic and social background, various transformations of national collective

bargaining systems were observable. These transformations include different subsystems, e.g. collective bargaining units at different layers (tiers or levels), and different characteristics and aspects of national collective bargaining systems (Marginson, 2015a).

In particular, there are four key dimensions of collective bargaining which have changed since 2008 and made national collective bargaining systems increasingly multi-layered and perforated. Table 1 gives an overview of these dimensions and shows the countries which were largely affected in one or the other dimensions.

- Table 1 about here -

The first key dimension is the introduction/increase of *opening clauses*. In many countries reforms were initiated since the advent of the economic crisis which made it increasingly easy for companies to opt out or to deviate from encompassing collective agreements (Schulten and Müller, 2013). Thus loopholes were increasingly introduced into encompassing higher level bargaining systems which not only made national systems increasingly perforated, i.e. permeable, but also increased the number and role of different layers of bargaining. A second dimension relates to changes in extension mechanisms. This means, in countries in which company level bargaining takes place but agreements are extended to the whole sector, the *extension of agreements* was made increasingly difficult since 2008 (Visser, 2016). Third, in some countries the perforation was increased



by enabling the *involvement of non-union representatives* in collective bargaining (Koukiadis, 2009). Granting negotiations rights to non-union bodies not only increased the number of actors, but also led to an increase in the number of lower level collective bargaining units and derogation from originally encompassing agreements (Visser, 2016). Fourth, as regards changes in the quality of collective bargaining, the most far-reaching impact on the practice of opt out from higher level collective agreements was the renunciation of the paradigm in some countries that lower-level agreements are not allowed to *deviate unfavourably* from the wage and working conditions agreed at a higher level (Clauwaert and Schömann, 2012; Marginson, 2015a).

With regard to the effect of these changes on the incidence of collective bargaining, all these changes taken together did not suspend collective bargaining in all the affected countries *per se* nor did one structure (e.g. layer of bargaining) disappear completely. As can be seen in Table 1, these changes in the four dimensions led to a transformation in the structure of national collective bargaining systems, with the effect that the number of higher level collective agreements decreased, but to compensate, the number of lower level agreements increased which made national systems increasingly “fractured” (Marginson, 2017). Furthermore, the temporary nature of reform practices made national systems dynamically unstable in the sense that the predominant level at which bargaining takes place might fluctuate over time (Eurofound, 2014b).

In some countries these transformations were observable before the advent of the economic crisis in 2008 and followed mainly the trail of gradual adaption to changing market conditions and were predominantly endogenously induced by national social partners themselves (e.g. Austria, France, Germany, Netherlands). Since the advent of the economic crisis in 2008, the pace of change has increased significantly and was largely induced exogenously and thus might have led to deviations from the traditional path of transformation in either one or the other dimension or subsystem (Schulten and Müller, 2014; Seikel, 2016; Van Guys and Schulten, 2015). Thus there are two sources of change to national collective bargaining systems which are simultaneously pulling and pushing in various dimensions and subsystems of national collective bargaining systems.

### **When endogenous and exogenous forces collide: the formation of hybrid systems**

There is a long history of research on the transformation of institutions which can be categorized into various streams of approaches: the historical, sociological, rational choice (Hall and Taylor, 1996), and the constructivist approach (Morgan and Hauptmeier, 2014). In all of these approaches, *path dependence* has a prominent role although seen from different angles and with different emphasis on the impact of path dependency on actual transformation, i.e. whether path dependency is only a weak (e.g. Djelic and Quack 2005) or strong (e.g. David, 1994; Mahoney, 2000; Pierson, 2000) driving force.

Nevertheless, the importance of path dependency is a common denominator of all theoretical approaches, acknowledging that “history matters”, that there is a “shadow of the past” for any institutional transformation (Ebbinghaus, 2005) and that path dependency is guiding and/or hindering transformation (North, 1991).

As regards the transformation of institutional systems with different dimensions and subsystems, such as national collective bargaining systems have, the role of path dependency is argued to be even more important. This significance is due to institutional complementarity, which refers to interdependences among sub-systems (e.g. Pagano, 2011). In fact, different institutional features of national systems and subsystems are stabilizing and reinforcing each other which makes change in one dimension or subsystem difficult or even impossible. According to this theoretical reasoning, systems’ transformations are either blocked by different subsystems or forced to follow its traditional, i.e. endogenous, path.

Breaking the endogenous path of transformation is therefore *sometimes* only possible through exogenous pressure. As argued for example by Kang (2006), in such situations path breaking transformations can sometimes only happen through exogenous shocks, i.e. by events which radically change the context in which systems are embedded. Even though not all transformations are necessarily driven by exogenous sources and shocks but can also be based on endogenous and gradual changes (e.g. Streeck and Thelen, 2005), it is evident that past shocks, crises and events did often lead to

fundamental transformations of institutional systems (e.g. Crouch, 1993, 2005; Deeg, 2001; Thelen, 2003; Brandl and Traxler, 2011). The current economic crisis is certainly a perfect case in point for fundamental transformation.

Ebbinghaus (2005) differentiates in his theoretical account of transformation between unplanned “trodden paths” and “branching pathways”. Particularly for the branching pathway account, he stresses the role and will of actors within systems to overcome the old path and choose new pathways. Which path actors choose depends very much upon their interests and preferences. For example social partners at a company level might have different interests to social partners at the sectoral level. The interests of actors might also differ in different companies and sectors. In any case, different interests among actors in different subsystems imply that different pathways of transformation might be followed.

The more subsystems a national collective bargaining system includes, and the more drastic the transformation is, the greater the uncertainty of both the individual and aggregate outcome of actors’ actions and what the overall outcome of transformation of the whole system will be. Thus the transformation of the system itself is uncertain as individual actors can be assumed to act according to a bounded rationality (Pierson, 2000). Bounded rationality of actors in following different pathways of transformation becomes increasingly important in relation to institutional complementarity where complementarities develop and change over time as subsystems change their manner of

functioning as a result of adapting to contingent events and the impacts of other subsystems (Morgan, 2005; Kang, 2006). Thus, in order to explain the aggregate transformation of national collective bargaining systems with different subsystems, one has to take into account that different subsystems might follow different pathways of transformation with different logics of change, or dynamism in the sense of Marginson (2017).

In the following we argue that the current global economic crisis was a major exogenous shock which has partially broken “trodden” traditional pathways and opened “branching pathways” to social partners. However, these pathways were not always opened by innovative actors by themselves but sometimes ripped open by exogenous parties, e.g. by the reforms initiated by the Troika which opened social partners in some subsystems to new pathways. We further argue that different subsystems, e.g. collective bargaining units in different sectors and/or on different layers, within national collective bargaining systems do not necessarily have the same interests and are differently bound by different constraints (Traxler and Brandl, 2009). While some subsystems and their transformation are constrained by a gradual and endogenously driven path dependency others follow new exogenously induced pathways of transformation. Thus, from an *aggregate level*, i.e. from the perspective of the national collective bargaining system itself, there are two different sources of transformation which do not necessarily follow the same logics. Against the background that different subsystems might follow different

pathways with different logics of transformation, we hypothesize that the logics potentially diverge between subsystems which makes the aggregate, i.e. the national system of collective bargaining, increasingly multi-layered, perforated, and dynamically unstable, i.e. increasingly hybrid.

In employment relations literature, the term “hybrid collective bargaining systems” is sometimes used to describe multi-layered bargaining systems (e.g. Braakmann and Brandl, 2016; Kalmi et al., 2012) but as yet an exact definition of hybridization does not exist. This differs to other disciplines (Piotti, 2011), in particular in organisational studies where the concept of hybridization is frequently applied to explain change and inertia of national institutional systems with respect to the increasing internationalization of economies and societies (Boyer, 2005). In the wider context of employment relations, there is some literature which argues by using the hybridization concept that the transfer of institutions and institutional reform is impeded by the need to adjust the system according to the needs of the specific country context as well as to past processes and practices (e.g. Boyer, 1998; Dörrenbächer et al., 2000; Piotti, 2011; Tolliday et al., 1998). According to this literature, a complete and comprehensive transfer of a countries’ national system onto another country can rarely be found, but institutional reform and transfer leads to a hybrid system in their definition, which integrates characteristics of the new and old system. According to this hybridization concept, any

institutional reform of a national collective bargaining system according to a blueprint will not fully materialize.

This concept of hybridization can explain why some institutional systems are not fully replaced by new systems but the old institutions are often rather adapted to serve new goals in order to meet new demands (Streeck and Thelen, 2005). Thus this definition suggests that the transfer of systems is dependent upon whether or not functional equivalents of specific system components and characteristics exist or not (Tolliday et al., 1998). If there is a functional equivalent of the old system which serves the same goal it is likely to remain and if not, it is likely to be replaced. Thus, this concept of hybridization explains how and why institutional reform leads to fused or crossed systems which are characterized by a complex combination of potentially overlapping subsystems and functional parallelism of subsystems.

In this paper we will adapt this conceptualization of hybridization to describe the transformation of national collective bargaining systems since the advent of the economic crisis in the EU. As regards the form and structure we define a hybrid system on the basis of three dimensions. First, a hybrid national collective bargaining system is characterized by the presence of multiple layers at which collective bargaining takes place and with different actors involved, i.e. by the concomitance of multiple bargaining units and potential functional parallelism. The latter describes how some bargaining subsystems can co-exist and pursue the same actions (i.e. are repetitive) or different and potentially

competing actions. Second, collective bargaining at each layer is permeable in the sense that deviations and exceptions exist. Thus, there is no uniform layer at which collective bargaining takes place which is exclusive to a national collective bargaining system but each layer is characterized by “loopholes” which makes the system perforated. Third, a hybrid collective bargaining system is characterized by a dynamic instability in the sense that relevant layers for individual employees and companies change over time. This means for example that over a period of some years employees in companies could be covered by a sectoral collective agreement, then by a company agreement and later by no agreement or again a sectoral agreement. This instability is due to the fact that companies are able to make use of opening clauses which are often only temporary (e.g. for two years). In addition to the fact that the institutional structure and legal framework of collective bargaining is reformed different higher level agreements are in place or not. Thus, hybrid collective bargaining systems are no longer dynamically stable in the sense that there is certainty for employees that in the upcoming years they are covered by a specific (company or higher level) collective agreement (or not).

Thus we augment previous conceptualizations of hybrid collective bargaining systems which focused mainly on the existence of multiple layers (e.g. Braakmann and Brandl, 2016; Kalmi et al., 2012) by introducing the characteristics of dynamic instability and perforation. In particular we argue that national collective bargaining systems are becoming increasingly hybrid in the sense that they are becoming increasingly multi-



layered, perforated and dynamically unstable. We do not claim that current national collective bargaining systems in Europe have already become (completely) hybrid. We rather prefer to explain a tendency towards this concept of hybridization of national collective bargaining systems. Also, we certainly do not claim that national collective bargaining systems were ever completely homogeneous and uniform, i.e. showed no sign of perforation, before the crisis and that there was no sign towards an increase in the multi-layered structure of national collective bargaining systems. Furthermore we do not claim that collective bargaining systems were highly stable before the crisis. In fact, in many countries, collective bargaining always took place at different layers, deviations were possible and the structure of bargaining changed over time. However, we argue that since the advent of the economic crisis the hybridization of national collective bargaining systems in Europe has gained significant momentum.

### **National systems whipsawed between two forces and the evolution of hybrid systems**

The résumé of the theoretical considerations is that attempts to reform national collective bargaining systems are likely to not fully materialize, but lead to the hybridization of national collective bargaining systems. As the exogenously induced transformations to national collective bargaining systems relate to different subsystems and dimensions of national systems and the pressure to reform is asymmetrically distributed across national

systems, it is likely that different subsystems follow different pathways of transformation. These different pathways could be characterized by the different (wage) strategies actors are following and might materialize in differing success which in turn might affect other features such as the organizational density of actors. However, the résumé of the above described empirical transformations of national collective bargaining systems since the advent of the economic crisis clearly shows that pathways are opened to lower layer units of bargaining and those pathways of higher layer units are partially closed or undermined. However, the same pathways were not induced in the same way in all member states of the EU. In fact the magnitude of exogenous and endogenous forces which drove transformations of national systems, were not symmetrically strenuous across all EU member states.

While the exogenous driving forces of transformation were especially strong in the Troika countries, national collective bargaining systems proved to be relatively resilient to any exogenous pressures of transformation in countries such as Austria, Denmark, the Netherlands, and Sweden, (Eurofound, 2016, Sanz et al., 2016; Voss et al., 2016). This, however, does not mean collective bargaining systems in these countries underwent no transformation. On the contrary, in the latter countries also, opening clauses were increasingly introduced and company level bargaining fostered but these changes were mainly induced endogenously, i.e. these transformations followed the pathway and logic of endogenous transformation. The transformation of the German system of

collective bargaining in the past two decades is a good example of how (gradual) endogenous change transformed a national collective bargaining system substantially (Baccaro and Howell, 2011). However, this endogenous logic of transformation was potentially also induced (or at least inspired) by the *Zeitgeist* of institutional transformations which followed the logic of decentralization.

Overall, as regards the role of endogenous and exogenous forces of transformation, we observe that in some countries and in some periods of time one force dominates over the other but usually both forces are at work. Even in the Troika countries the exogenously induced reforms never fully replaced all dimensions and subsystems of the traditional national systems which existed before. Thus endogenous forces were never completely superseded. In fact, also in the Troika countries, endogenous forces sometimes exerted a resistance which slowed down and sometimes even resisted exogenously induced pressure due to the heavy protests of the actors involved (e.g. Sanz et al., 2016). Even the Greek government, which certainly faced one of the biggest exogenous induced pressures to reform, was sometimes able to defer or soften some proposed reforms (e.g. Kyriakopoulos, 2014), not least because of some degrees of “vagueness” and uncertainty in the externally imposed recommendations of reform.

Thus, in all EU member states, national collective bargaining systems transformed, but at varying speeds and on different pathways which were variously opened by both endogenous and exogenous forces of transformation in diverse ways. This

process across countries has led to the evolution of differently accentuated hybrid national systems of collective bargaining across many EU member states.

*The increased hybridization of national collective bargaining systems*

One major stylized fact emerges when looking at the structure of national systems of collective bargaining in the years after the advent of the economic crisis: the outcomes of the reforms, the efforts made to further decentralize collective bargaining, often led to an increased number of collective agreements which were struck on top, i.e. in addition, or at the expense of (existing) sector agreements (see also Table 1). The explanation for this is, as outlined before, that throughout the EU it became, not only possible via opening clauses, but also often a common practice, that wages and working conditions were regulated increasingly on the basis of agreements with a relatively narrow domain, i.e. at the company level. On the one hand this made national collective bargaining systems increasingly perforated in the sense that any encompassing higher level collective agreements were undermined and washed out by an increasing number of lower level agreements or exceptions. On the other hand, this development made national systems increasingly complex as *multiple layers*, or multiple levels or tiers, emerged at which collective bargaining can take place in parallel. Table 2 gives an overview of the incidence and change during the economic crisis, i.e. from 2009 to 2013, of collective agreements

in companies which fall under any form of collective bargaining at different layers/levels in all EU member states.

- Table 2 about here -

As can be seen in Table 2 there is a large variation among companies which fall under any form of collective agreement in terms of the level/layer at which the collective agreement has been struck in different countries. This variation existed in the early years of the crisis, i.e. in 2009, and in later years, i.e. in 2013. In fact there is not one single country in the EU in which the reforms in one or the other dimension of collective bargaining led to a complete transformation towards fully decentralized collective bargaining. Company bargaining did not replace higher level (nor company) bargaining completely, as can be seen in Table 2, not even in the Troika countries which witnessed the strongest pressure of transformation among all EU member states. In all countries the reforms and institutional changes in different dimensions of collective bargaining led to the increased formation of collective bargaining systems which are characterized by the concomitance of parallel layers at which bargaining can take place simultaneously, i.e. of multi-layer systems.

Furthermore, Table 2 shows that national collective bargaining systems which are characterized by a predominant level of collective bargaining eroded dramatically since

the advent of the economic crisis. By using the criterion that a level is predominant for a country if two thirds of all collective agreements are struck exclusively on one layer, we see that in 2013 only a few numbers of countries are characterized by a predominant level of collective bargaining. While in 2009 21 countries had a predominant level of bargaining (11 with company and 10 with higher level bargaining), in 2013 only 11 countries remained (with 8 at company and 3 at higher level).

In fact the reforms and changes in collective bargaining led to the emergence and/or increased formation of different subsystems, i.e. collective bargaining units, with different actors which are often independent from each other as reforms did not consider any forms of integrative interaction, i.e. coordination between actors at different layers in the national system (Voss et al., 2015). This multi-layered structure with different actors potentially implies functional parallelism and potential divergence in interests. A prime example is that non-trade union representatives are able to strike collective agreements for their domain in addition (in parallel) to other actors both at company and higher level (see Table 1 for countries in which these reforms were introduced). Thus actors might also pursue different pathways of institutional transformation leading to a further increase in the complexity and fragmentation of national collective bargaining systems i.e. in fostering the process of hybridization.

As outlined before, the transformation of systems in which actors at different layers coexist, potentially leads to functional parallelism. This implies that institutional

components, i.e. subsystems, co-exist and potentially are even competing with each other if the different subsystems are not coordinated, i.e. if there is no integrative interaction between actors of different subsystems. By looking at the exogenously initiated reforms since the advent of the economic crisis it is striking that the sole target and object of change was the level of bargaining. The CSR of the EU and in particular the blueprints of the Troika organisations focused exclusively on fostering company collective bargaining or no collective bargaining. No attention has been given to the coordination, i.e. integrative interaction, between different bargaining units. Thus the exogenously induced transformations were characterized by a “disorganized” rather than an “organized decentralization” in the sense of Traxler (1995) and therefore no mechanisms are in place to permit different bargaining units to follow coordinated or common pathways.

#### *The dynamic instability of national systems*

What has also changed since the advent of the economic crisis is that not only the magnitude of transformation of systems intensified, but also the frequency. When looking at the number of transformation across all the EU member states before and since the global economic crisis arrived in Europe, it is striking that the number of transformations increased significantly after 2008 (e.g. Brandl and Ibsen, 2017; European Commission, 2015b).

These transformations covered all key dimensions of national collective bargaining systems. In more than 20 countries regulations on opening clauses were changed since 2008 (i.e. from 2008 until 2015) and in some countries repeatedly, while prior to the advent of the crisis in 2008 there were almost no changes (i.e. only in 3 countries) in the same number of years (i.e. from 2000 to 2007) (European Commission, 2015b). Some opening clauses were designed to allow temporary opt out or opt in regulations in the sense that companies were either covered by no agreement, a sector agreement, or a company agreement in different periods. This possibility implies that the relevance of collective agreements *per se* and the relevance of different layers at which bargaining takes place within a country potentially fluctuate over time. This makes the structure of national collective bargaining systems dynamically unstable over time. In fact, it potentially implies that the predominant layer at which collective bargaining takes place, which is usually considered as one key characteristic of distinct national collective bargaining systems, fluctuates over time.

However, so far relatively few changes with respect to the predominant structure of collective bargaining are reported in previous literature (e.g. Visser, 2016). However, the instability has increased since 2008. In the period between 2000 and 2007 changes in the predominant collective bargaining structure were observable in only a few countries (e.g. in Finland, the Netherlands, and Romania) while from 2008 to 2015 changes in a significantly higher number of countries were observable (e.g. in Finland, France, Greece,



Ireland, Portugal, Slovakia, Slovenia, and Spain) (Aumayr-Pintar et al., 2014). In sum, the period before the crisis was characterized by a higher stability of collective bargaining systems and in the environment in which bargaining takes place.

## **Conclusions**

In 2008 Europe was hit by the most dramatic economic crisis since the 1930s, which not only changed the economic environment for companies and employees dramatically, but also induced some fundamental transformations in the institutional environment in which companies and employees are embedded. In this article the transformation of national collective bargaining systems in the member states of the EU since the advent of the economic crisis was investigated. Against the background that collective bargaining systems have always transformed, in this article it is argued that the recent economic crisis not only triggered an increase in the number of transformations but also changed the nature of national collective bargaining systems themselves in many countries. We traced back the sources of change to two main driving forces or dynamics. The first impetus stems from the endogenous logic of path dependency in the transformation of national employment relations systems and the second from exogenous pressure to reform national systems in accordance with the strategies and logics of supranational organisations such as the EC, ECB, IMF, and in particular from the European Union's new economic

governance strategy. It was argued that endogenous and exogenous dynamics of transformation are potentially diverging and thus the aggregate transformation of collective bargaining systems is characterized by a whipsaw action from the two different driving forces of change leading to the evolution of hybrid national collective bargaining systems.

More specifically, in this article it was argued that exogenously driven transformations of national collective bargaining systems since the advent of the global economic crisis never fully replaced older institutional structures or completely superseded old social partners' endogenous logics of action. Instead the exogenously imposed transformations in collective bargaining structures led to an increase in the number of actors at different layers of the national system, i.e. to an increase in different subsystems within national collective bargaining systems which do not necessarily have the same interests and/or follow the same logics and pathways of institutional transformation. While some subsystems are constrained by endogenously driven path dependency, others follow new exogenously induced pathways of transformation. This argument led us to develop the basic hypothesis that all these transformations of collective bargaining systems are causing national systems to become increasingly multi-layered, perforated, and dynamically unstable, i.e. hybrid.

By summing up the above characterization and transformation of national collective bargaining systems in the EU it becomes evident that apart from a various

differences regarding the specific quality and quantity of changes in different dimensions, the common denominator, by examining the aggregate effects upon national collective bargaining systems, is that since the advent of the global economic crisis different subsystems followed different pathways with different logics of transformation. This common denominator fully supports our hypothesis that subsystems are potentially diverging which makes the aggregate, i.e. the national system of collective bargaining, increasingly hybrid.

Against the background that the evolution of hybrid collective bargaining systems is certainly an unwanted effect (or by-product) of (potentially) well-intended reforms and changes of national collective bargaining systems, conclusions on the “success” of past policy reforms can be drawn. The Troika used a blueprint for reform which is based on the assumption that decentralized collective bargaining systems enable efficient labour market adjustment. However, in this article we have argued and shown that exogenously imposed reforms according to this blueprint rarely ever (fully) materialized. Instead these reforms have led to the evolution of a different type of collective bargaining system, i.e. of hybrid systems with a different efficacy and with different effects on the adjustment of the labour market!

Thus the effectiveness and meaningfulness of exogenously induced reforms to some national collective bargaining systems since the advent of the economic crisis is challenged by the results of this paper. Therefore, an assessment of these newly evolved

hybrid collective bargaining systems is urgently required for two reasons. First, as the transformation of national collective bargaining systems has not yet finished and thus the meaningfulness of this process is questionable. Secondly, as the economic crisis is still not surmounted a better understanding of the effects of institutional reforms is required in order to help policymakers to affect the labour market as they intend.

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## Appendix

**Table 1.** Examples of transformation of key dimensions of national collective bargaining since the start of the crisis and the change in the incidence of collective agreements at different levels

<b>Form of Transformation</b>	<b>Countries</b>
<i>Introduction/increase in opening clauses</i>	Austria, Bulgaria, Germany, Greece, Hungary, Italy, Slovenia, Spain, Sweden
<i>Change in extension mechanisms</i>	Greece, Ireland, Portugal, Slovakia, Spain
<i>Involvement of non-union representatives in collective bargaining</i>	Greece, Hungary, Portugal, Romania, Spain
<i>Abolition of the favourability principle</i>	Greece, Ireland, Spain
<b>Change in incidence of collective agreements:</b>	
<i>The number of collective agreements changed (higher level agreements decreased/lower level agreements increased)</i>	Belgium, Cyprus, Czech Republic, Denmark, Estonia, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Portugal, Romania, Slovenia, Spain, Sweden

Source: Eurofound (2014a, 2014b, 2016), Van Gyes and Schulten (2015).



**Table 2.** Overview of the incidence (in percentages) of different structures of collective bargaining in the EU member states and change since the start of the crisis

Country	2009			2013			Change		
	Compan y	Mult i	Highe r	Compan y	Mult i	Highe r	Compan y	Mult i	Highe r
<i>Austria</i>	19	12	69	4	25	71	-15	13	2
<i>Belgium</i>	25	6	69	7	49	43	-18	43	-26
<i>Bulgaria</i>	65	5	30	61	25	13	-4	20	-17
<i>Croatia</i>	38	11	51	65	24	11	27	13	-40
<i>Cyprus</i>	70	3	27	46	35	19	-24	32	-8
<i>Czech Republic</i>	88	4	8	82	14	4	-6	10	-4
<i>Denmark</i>	20	15	65	23	51	26	3	36	-39
<i>Estonia</i>	79	3	18	59	22	19	-20	19	1
<i>Finland</i>	12	4	84	6	28	67	-6	24	-17
<i>France</i>	43	5	52	31	45	24	-12	40	-28
<i>Germany</i>	30	2	68	31	29	41	1	27	-27
<i>Greece</i>	40	6	54	17	44	39	-23	38	-15
<i>Hungary</i>	70	5	25	61	25	14	-9	20	-11
<i>Ireland</i>	32	1	67	29	34	37	-3	33	-30
<i>Italy</i>	17	22	61	4	23	72	-13	1	11
<i>Latvia</i>	76	5	19	73	8	19	-3	3	0
<i>Lithuania</i>	95	3	2	69	19	12	-26	16	10
<i>Luxembourg</i>	22	11	67	35	41	24	13	30	-43
<i>Malta</i>	68	4	28	48	40	12	-20	36	-16
<i>Netherlands</i>	27	2	71	36	31	34	9	29	-37
<i>Poland</i>	76	2	22	87	8	5	11	6	-17
<i>Portugal</i>	20	4	76	10	31	58	-10	27	-18
<i>Romania</i>	85	3	12	84	11	6	-1	8	-6
<i>Slovakia</i>	71	5	22	75	18	7	4	13	-15
<i>Slovenia</i>	40	6	54	46	31	24	6	25	-30
<i>Spain</i>	29	3	68	17	30	53	-12	27	-15
<i>Sweden</i>	25	15	60	3	63	35	-22	48	-25
<i>United</i>	53	4	43	63	24	13	10	20	-30

*Note:* “Company” refers to the share (percentage) of companies in a country in which employees are covered by a collective agreement which was struck exclusively on a company/establishment level in relation to all other collective agreements. “Higher” if the collective agreement was struck exclusively at a sectoral or national level, and “Multi” if employees in companies are covered by more than one collective agreement (struck at different layers/levels). Data for 2009 from Eurofound (2010) and from Eurofound (2015) for 2013. Please note that the shares are referring to relative share of companies with collective agreements. For reasons of comparability and availability of data companies with no collective agreement are not considered in the sample. Even though there is an increase in the number of companies with no collective agreement in the majority of the EU members states (e.g. European Commission, 2015b) the changes in (multi-)layer structure are significantly higher. “Change” shows the change in percentage for the three structures of collective bargaining from 2009 to 2013.